

## Message Text

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ORIGIN EUR-12

INFO OCT-01 ISO-00 EB-08 SIG-02 AID-05 ARA-10 EA-09  
PRS-01 SSO-00 NSCE-00 INRE-00 USIE-00 CIAE-00  
COME-00 FRB-01 INR-07 NSAE-00 TRSE-00 XMB-04  
OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 L-03 H-02  
PA-02 NSC-05 SS-15 STR-04 CEA-01 /106 R

DRAFTED BY EUR/WE/GPFOURIER  
APPROVED BY EUR/WE/EMROWELL  
EB - PBOEKER  
EUR/P - MR. SEIDNER

-----290035Z 038577 /62

O 282331Z APR 77  
FM SECSTATE WASHDC  
TO AMEMBASSY BERN IMMEDIATE  
AMEMBASSY BONN IMMEDIATE  
AMEMBASSY BRUSSELS IMMEDIATE  
AMEMBASSY CARACAS IMMEDIATE  
AMEMBASSY COPENHAGEN IMMEDIATE  
AMEMBASSY DUBLIN IMMEDIATE  
AMEMBASSY THE HAGUE IMMEDIATE  
AMEMBASSY LONDON IMMEDIATE  
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AMEMBASSY OTTAWA IMMEDIATE  
AMEMBASSY PARIS IMMEDIATE  
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USMISSION EC BRUSSELS IMMEDIATE  
USMISSION OECD PARIS IMMEDIATE  
INFO AMEMBASSY LISBON IMMEDIATE  
USMISSION NATO IMMEDIATE  
AMCONSUL OPORTO IMMEDIATE  
AMCONSUL PONTA DELGADA IMMEDIATE

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E.O. 11652: N/A

TAGS: EFIN, PFOR, PO

SUBJECT: PRESS REPORTS ON ASSISTANCE TO PORTUGAL

REF: LISBON 3308 NOTAL

1. FYI: FOLLOWING IS TEXT OF REUTER DISPATCH REGARDING APRIL 27 TESTIMONY BY DEPUTY ASSISTANT SECRETARY FOR ECONOMIC AND BUSINESS AFFAIRS PAUL BOEKER BEFORE HOUSE SUBCOMMITTEE ON EUROPE: QUOTE: THE STATE DEPARTMENT SAID TODAY THE CARTER ADMINISTRATION PLANS TO SCALE DOWN SHARPLY ITS PROPOSED LENDING PROGRAM DESIGNED TO HELP PORTUGAL BATTLE A PERSISTENT BALANCE OF PAYMENTS PROBLEM.

2. PAUL BOEKER, DEPUTY ASSISTANT SECRETARY OF STATE FOR ECONOMIC AND BUSINESS AFFAIRS, SAID THE ADMINISTRATION INTENDS TO SEEK 300 MILLION DOLLARS FROM CONGRESS FOR ECONOMIC LOANS TO PORTUGAL.

3. THE ORIGINAL PLAN HAD BEEN FOR THE UNITED STATES TO LEND 550 MILLION DOLLARS, BUT THIS WAS ENVISIONED AS PART OF ; 1.5 BILLION DOLLAR LOAN PACKAGE WHICH WAS TO HAVE BEEN ARRANGED THROUGH A CONSORTIUM OF NATIONS.

4. HOWEVER, MR. BOEKER TOLD A HOUSE OF REPRESENTATIVES INTERNATIONAL RELATIONS SUBCOMMITTEE THAT SOME COUNTRIES, PARTICULARLY WEST GERMANY, HAVE SHOWN RELUCTANCE TOWARD PARTICIPATING IN A LENDING CONSORTIUM.

5. HE SAID THE ADMINISTRATION HOPES THAT ITS "ONE-SHOT"  
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LOAN, PROBABLY FOR A 10-YEAR PERIOD, WILL ENCOURAGE EUROPEAN COUNTRIES TO MAKE THEIR OWN LOANS TO PORTUGAL ON A BILATERAL BASIS.

6. PORTUGAL HAS BEEN BESET BY A 25 PERCENT INFLATION RATE, A 15 PER CENT JOBLESS RATE AND A BALANCE OF PAYMENTS DEFICIT EXPECTED TO REACH AS HIGH AS ONE BILLION DOLLARS THIS YEAR.

7. MR. BOEKER SAID EXPERTS BELIEVE PORTUGAL IS COMING TO GRIPS WITH MANY OF ITS ECONOMIC PROBLEMS AND MAY BE ABLE TO CURE ITS DEFICIT PROBLEM IN THREE YEARS. UNQUOTE END FYI

8.EMBASSY LISBON RESPONSE (REFTTEL) TO STORIES BASED ON REUTERS DISPATCH REPEATED TO YOU SEPTTEL.

9. FYI: FOLLOWING IS ENTIRE TEXT OF APRIL 28 STATE DEPARTMENT NOON PRESS BRIEFING EXCHANGE ON SUBJECT OF LENDING TO PORTUGAL: QUOTE: Q -- ON ANOTHER SUBJECT,

HAVE THE AMERICAN DESIGNS FOR A CONSORTIUM LOAN TO PORTUGAL FALLEN APART? A -- WELL, I DO NOT CONSIDER THAT OUR EFFORTS TO ASSIST PORTUGAL HAVE FALLEN APART. WE ARE STILL FIRM IN OUR COMMITMENT TO HELP PORTUGAL COVER ITS BALANCE OF PAYMENTS DEFICITS. THE PRESIDENT REAFFIRMED THAT COMMITMENT DURING HIS MEETING WITH THE PORTUGUESE PRIME MINISTER ONLY LAST THURSDAY.

10. Q. THAT BEING SAID, HOWEVER, HAS THE UNITED STATES BEEN UNABLE TO GET OTHER PARTNERS TO PUT TOGETHER THIS 1.5 BILLION DOLLAR AID PACKAGE? A. WE ARE STILL CONSULTING WITH A NUMBER OF OTHER COUNTRIES AND HAVE EVERY EXPECTATION THAT THEY'RE GOING TO JOIN US IN A COORDINATED LENDING PROGRAM.

11. Q. THEY'RE BUILDING -- A. THERE HAVE ALREADY BEEN SOME INITIAL POSITIVE RESPONSES.

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12.Q.HAVE THERE ALSO BEEN SOME INITIAL NEGATIVE RESPONSES? SPECIFICALLY, HAS WEST GERMANY INDICATED THAT IT WILL NOT TAKE PART? A. I AM NOT GOING TO GO INTO A COUNTRY BY COUNTRY RUNDOWN. I THINK IT WOULD BE CORRECT TO SUGGEST THAT NOT EVERYBODY IS INTERESTED IN THE SPECIFIC APPROACH THAT WE ARE CONSIDERING, BUT WE STILL HAVE A NUMBER OF

CONSULTATIONS AHEAD ON THIS AND I REALLY WANT TO STRESS THIS. I DON'T THINK THAT THERE ARE FINAL DECISIONS BEING TAKEN NEGATIVELY.

13. Q. O.K. IN THE MEANTIME, WHILE ALL OF THIS IS BEING PUT TOGETHER, WHAT IS BEING DONE TO ANSWER THE IMMEDIATE BALANCE OF PAYMENTS PROBLEM? A. WELL, WE ARE GOING FORWARD, AS YOU KNOW, WITH OUR OWN PROGRAM NOW TO ASSIST THEM IN PUTTING TOGETHER A 700-800 MILLION DOLLAR PACKAGE OVER THE NEXT 12-15 MONTH PERIOD. WE HAVE ASKED THE CONGRESS TO APPROVE FOR FISCAL YEAR 1978 A CONTRIBUTION OF 300 MILLION DOLLARS FROM THE UNITED STATES ITSELF. END QUOTE END FYI  
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## Message Attributes

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